



FACT SHEET

U.S.-Korea Free Trade Agreement **Arizona Farmers Will Benefit**

September 2008

The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Arizona's agricultural products, including beef, dairy, and vegetables. Arizona's agricultural exports to all countries, estimated at \$505 million in 2007, supported about 5,380 jobs, on and off the farm. These export sales make an important contribution to the Arizona farm economy, which had total cash receipts of \$3.4 billion in 2007.

Beef. With the largest source of farm cash receipts, at \$677 million in 2007 or 20 percent of the state's total, Arizona's cattle and calf industry will benefit from this agreement.

- For beef muscle meats, the FTA provides a 15-year straight-line tariff phase out with a safeguard that begins growing from 270,000 tons, a quantity that is 17 percent larger than our largest historical shipments.
- Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines.
- Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

Dairy. The Arizona dairy industry earned cash receipts of \$801million in 2007, making it the largest agricultural industry in the state. Dairy producers will benefit from this agreement.

- The FTA will provide immediate duty-free access for double the current export volume of total dairy products. Duty-free quotas will be established for cheese, skim/whole milk powder, food whey, and butter.
- Current annual U.S. feed whey exports of \$8 million will gain duty-free access to the Korean market immediately upon implementation.

Vegetables. The vegetable industry is important to Arizona and lettuce alone had farm cash receipts totaling \$560 million, or 16 percent of the state's total. Arizona's vegetable growers will benefit from this agreement.

- Tariffs on cabbage, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will become duty free immediately.
- Other products such as lettuce, broccoli, and cauliflower, with duties ranging from 27 to 45 percent, will have tariffs phased out in either 5 or 10 years.
- A new 3,000-ton duty-free quota for fresh potatoes and a new 5,000-ton duty-free quota for dehydrated potatoes will bring opportunities for growers.

Cotton. The Arizona cotton industry, with cash receipts of \$170 million in 2007, will benefit from this agreement.

- The FTA will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Fruits. Arizona is the country's eight largest exporter of fresh and processed fruits and this industry will benefit from this FTA.

- Products such as lemons and melons will have duties ranging from 30 to 45 percent eliminated in either 2 or 12 years.

For questions about the U.S.-Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or LPA@fas.usda.gov.

For detailed information on how the Agreement benefits specific commodities, please visit:

<http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>